

Ten Key Societal Trends for Market Researchers: Domestic and Global

By Michael Richarme

The one thing that marketers cherish the most is a fleeting glimpse of the future. That glimpse would make the challenge of planning strategies, of devising the appropriate marketing mix elements, much simpler and less fraught with risk. This need accounts for the many articles and books generated each year, all proclaiming to understand and forecast future developments.

Forecasts of future social trends can only be developed with an understanding and utilization of underlying demographic and economic trends. This paper, utilizing a wide variety of primary and secondary research sources, captures some of the most important social trends that will unfold over the next twenty years, and hopefully provides astute marketers with some of the glimpses that they seek.

1. The Emergence of China as the World's Largest Economic Power

With a purchasing-power parity GDP of over \$7.8 trillion in 2008, China ranks second in global economies behind only the United States, with a GDP of about \$14.6 trillion in 2008. China's growth rate of about 10% annually will allow it to overtake the United States in the next few years, assuming that China's government allows their hyper-growth rate to continue and that the U.S. growth rate continues in the 2%- to 4%- per-year range. China has absorbed much of the manufacturing businesses formerly done in the U.S., shifting its economic composition to about 49% manufacturing and 40% services, compared to the U.S. composition of about 20% manufacturing and 79% services.

Doing business with China, either as a company that wants to utilize their large, skilled labor force or as a consumer of goods made in China, requires a higher level of understanding of the Chinese culture than most Americans currently possess. In their new book, *China Now*, authors N. Mark Lam and John L. Graham discuss some of these challenges. Nonverbal cues are different, standards of business practices are different, and protections of intellectual property and patents by the respective governments are different. Software and video piracy are particular concerns in this area.

2. Global Demographic and Migration Shifts

Populations of countries change in several predictable ways. Babies are born, people live a certain number of years and die, and new people migrate into the countries. The United States,

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according to the U.S. Census Bureau, had about 430,000 births in 2008, compared to 251,000 deaths. By tracking this ratio over time, and looking at unusual variances in the data, one can get a good understanding of a population's characteristics and even project those characteristics over time.

In the United States, for example, the baby-boom cohort, consisting of those born between 1946 and 1960, is a large bulge in the population numbers. Even larger is the group labeled the echo boomers, those children of the baby boomers born in the 1970-1985 time frame. These two bulges represent large pools of economic activity, and will shape the types of products and services consumed in the U.S. for several decades.

During 2008 the U.S. also experienced a net legal migration of almost a million persons. The life span of U.S. residents continues to lengthen, enhanced by better healthcare and medical options compared to those of their ancestors. A child born in the U.S. today has a life expectancy of over 78 years. The U.S. population, recently cresting at 300 million, is projected by the U.S. Census Bureau to exceed 345 million in 2025 and over 400 million by 2045.

But this trend of population growth seen in the U.S. is not one seen uniformly around the world. Japan has a relatively strict policy regarding incoming migration and is not replacing deaths at the same rate with new births. As a result, the Japanese population is rapidly growing older and starting to shrink. Already, elementary schools around Japan are closing for lack of students. Japanese industry is placing increasing reliance on robotic help in areas such as healthcare and personal services. If this negative population growth trend continues, the Japanese population will be unable to sustain its current economic output, at about \$4.5 trillion, the third largest economy in the world.

The European Union (EU), consisting of 27 European countries banding together as a trading block, is also showing a rapid population decrease, partially offset by large inward migrations from Middle Eastern countries. Germany and France, two large components of the EU, have negative net population growth rates. As a result, this

trading block, which currently accounts for almost a quarter of the world's purchasing-power parity GDP at roughly \$15 trillion, is expected to see that amount fall to less than 20% of the global total in the next ten years.

3. Energy and Water Shortages

As energy prices surge, driven partly by constrained production and refinery capacity, consumers are being forced to allocate increasing amounts of their monthly budgets to this area. This area includes electricity and natural gas for home consumption, gasoline for automotive transport, and higher product costs from manufacturers and retailers also being hit with higher energy costs.

There is a second, subtler, but possibly more powerful, shortage emerging around the world. It is a shortage of fresh water. For decades, large cities have built complex and expensive aqueduct and reservoir systems to serve their growing populations, but getting water into these systems is becoming more and more challenging.

As energy prices climb, alternative sources of energy will be developed and deployed. While not as cost-effective as the relatively inexpensive burning of fossil fuels, these sources will be critical to the continued economic success of developed and emerging economies around the world.

Water presents a different challenge. While three-quarters of the world's surface is covered by water, it is primarily salt-laden and not directly drinkable. Desalination technologies are being developed in arid parts of the world, but still have a long way to go before they are capable of providing fresh water on a large scale. Unlike energy, there is no alternative source of fresh water.

Migration patterns from rural areas into urban centers will continue the concentration of population into smaller footprints. Energy and water generation is typically done in more remote areas, putting additional pressure on transportation and distribution of these resources.

4. Managing our Waste/Reuse of Products

Twice a week, in many U.S. neighborhoods, the garbage truck comes to our homes and picks up the refuse that we

leave at the curb. This consists of both trash that cannot be reused, as well as processed materials that can be reused, such as glass, paper, and plastics. Packaging is one of the major sources of processed materials and is often discarded without a second thought.

But this discard process contains two major areas of concern. First, the landfills are rapidly becoming filled with materials that take decades or even centuries to decompose. Second, the cost of producing new materials for packaging will continue to climb as necessary raw materials are made more scarce.

In the European Union, countries have taken aggressive recycling stances. If a retailer sells an appliance, then that retailer is responsible for taking back the appliance after it has passed its useful life. Packaging is also under significant scrutiny for unnecessary or reusable/recyclable components.

Green is the new mantra for both consumers and businesses and may have reached a critical mass in terms of consumer understanding and willingness to participate.

5. Lowering Education Standards/Less Skilled Thought Leaders

In the middle of the last century, a college education was an aspirational goal and viewed with respect. Advanced degrees, such as an MBA, were relatively rare and earned only by the brightest and most dedicated students. College degrees weren't prerequisites for management positions in many corporations. Many labor positions were manned by apprentices, who spent years learning their trades from skilled masters.

Today it seems that the United States education system is producing far greater numbers of people with college degrees, and advanced degrees are becoming more and more common. In many corporations, the college degree and place of matriculation are important considerations in career advancement.

However, the general level of education has fallen, with many college students and even graduates unable to compose a simple business letter or critically think through a complex business problem. As developed

economies like the United States continue their transition from manufacturing to service economies built around knowledge workers, this presents a serious conundrum. Entry-level service jobs are being fortified by icons on cash registers, leading to significant numbers of those positions moving to less educated immigrants. Shortages of engineers and scientists are being filled by massive immigration of skilled workers from India. By one estimate, over one-third of Microsoft's 70,000 knowledge workers in Redmond, Washington, are originally from India.

Peter de Krassel has discussed the crisis facing the American primary and secondary school system in his book, *Custom Maid Knowledge for New World Disorder*. Though some standardized tests report sporadic increases in scores, the general trend over the past two decades has been downward.

One of the resources being utilized by rapidly growing economies is knowledge. Brazil, Russia, India, and China all have rapidly growing economies, partly driven by impressive gains in mathematics, engineering, and science education.

6. Brand Relationships Intensify

Disney's mouse ears. Apple computer. The golden arches of McDonald's. Coca-Cola. Nike and its swoosh. These are examples of dominating iconic global brands, easily identifiable, with simple, consistent brand promises. Increasingly, consumers are looking for ways to connect with these iconic brands, and this further strengthens the dominance of these brands. In a world where consumers have increasing access to comparative information and global purchasing, the importance of brand will become critical to a firm's survival. As more and more countries cross the theoretical \$5,000 GDP per-capita level, where brand becomes important, and then cross the theoretical \$10,000 GDP per-capita level, where global purchasing becomes the norm, less known national and regional brands will struggle for survival.

7. Short Time-Frame Transactions

As time pressures increase, consumers more frequently turn to convenience for their purchasing tasks. The

explosive growth of Internet shopping is one indication of this trend. In addition, with attention spans shortening, consumers either multitask or flip from one alternative selection to another, forming purchasing decisions with increasing rapidity. Products which do not present a compelling, immediate purchase justification will be passed over. Amazon has taken the concept a step further, with a technology that allows consumers to use their cell phones in stores to photograph product bar codes, and then use those barcodes to find the same product on Amazon at a reduced price. Merchants are rapidly deploying technologies to speed the purchase process, such as an RFID-enabled credit card that just requires a tap on the terminal to complete the transaction. Micropurchases using cell phones to buy from vending machines are being deployed in Japan and Korea.

8. On-Demand Media Consumption

The explosion of video media—cable channels, iPod webcasts, video streaming on computers—places the multitasking teenager of today in a position where he or she can dip into news, entertainment, or sports streams whenever the desire manifests. Downloadable books, songs, and movies combine with time-shifting technologies like DVRs to make scheduled media consumption a nostalgic reminder to baby boomers. Technology to support this trend, such as the recent introduction of the electronic reader tablet, will facilitate the incorporation of all these technologies into the main stream.

Computer and communications convergence will be a strong and continued driver of this trend. It is getting almost impossible to find a product these days that doesn't have some type of electronic or microprocessor component. Smart refrigerators keep track of the contents inside the refrigerators and use the Internet to signal the need for repurchases. Cameras that once used film now store images on tiny chips. iPods with 80 gigabytes of storage (equivalent to many desktop computers sold only a year or two ago) are commonplace. The integration of these technologies is leading to massive substitutions of product categories. Many young people use their cell phones for keeping time rather than watches. One large cell phone manufacturer is developing an electronic wallet, in which

the cell phone contains credit card and identification information.

9. Extensive Expansion of Customization, Personalization, and Community Experiences

Consumer brands are increasingly reaching out to unique, homogeneous groups of consumers to deliver customized and personalized goods and services to them. The emergence of communities, where shared interests act as cohesive and binding connections, provide both insights into the needs of these unique groups of consumers and challenges of tailoring messages and products for those groups.

One result of this growth in community experiences, according to Dr. Tal Ben-Shafir in *Happier*, is that people will utilize positive psychology to become happier in their daily lives.

Social networks will continue to emerge as a major driving factor in the success or failure of certain consumer brands. These networks will grow on a global basis, with many network members only communicating with other network members on a virtual basis, never interacting in person.

Another result of this trend is the shifting perception of quality and luxury items. In the past century, price levels often signified differing levels of quality. A car costing more was expected to have significantly better performance. A more expensive television had a longer lifetime or more features. Current manufacturing techniques have almost erased this distinction, in that even the entry-level automobiles and televisions are built to very high-quality standards. As a result, the concept of high prices translating into high quality will largely evaporate. Automobiles and televisions, formerly luxury and status-conveying items, have moved from aspirational goals to expectations of basic lifestyles.

10. Youth Rules

The baby-boomer generation is about to enter retirement. The echo boomers, progeny of this baby-boomer generation, are about to dominate the workforce. Raised in an era of relative luxury, with immediate gratification

for most basic needs, the youth of the world will play an increasingly vital role in identifying new product and service requirements, in causing the rapid spread of new trends and lifestyles, and in changing the ways in which businesses interact with them.

Key issues for youth will revolve around the dynamics of health and wellness versus increasing obesity, the incorporation of traditional and holistic medical practices, and the exploration of health and relaxation techniques from around the world. Yoga and eclectic foods will begin to replace golf and beef steaks. In the United States, for example, golf courses are already seeing rapid declines in utilization as the golfing population shrinks.

As the expected lifespan of people continues to lengthen, this will place a related demand on medical services and assisted-living facilities. Dr. Michael Zey, in his book *Ageless Nation*, predicts that this extension of the human lifespan will create significant opportunities for cultural enrichment.

This trend is contrasted with a large, obese segment of the United States population. To a degree, convenience foods and a lack of outdoor recreation are resulting in expanding waistlines and related health problems. This is true both in the United States and many other developed nations.

Summary

The implications of these trends could drive businesses around the world to either rethink their business models or make significant changes to the ways in which they interact with their customers. As time frames shrink, reactionary businesses will struggle to survive, while those firms that engage in proactive, long-range research into the needs of their customers will have a higher likelihood of success. There are most likely additional trends that will emerge, and some of these trends could prove to have less importance in coming decades. Astute marketers will combine aggressive research programs with scenario planning to help chart their way through coming decades. Those who don't may be facing a series of icons on a cash register.

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About Decision Analyst

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